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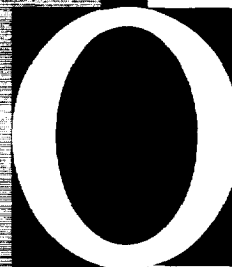
STATE AUTOMATION STUDY

REPORT ON THE EVALUATION OF THE
FEDERAL APD APPROVAL PROCESS

August 5, 1994

Prepared for:

U.S. Department of Agriculture
Food and Nutrition Service
O A & E
Alexandria, Virginia 22302



THE ORKAND
CORPORATION

Silver Spring, Maryland

STATE AUTOMATION STUDY

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APD APPROVAL PROCESSES**

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EXECUTIVE SUMMARY

PURPOSE

Automated systems that support States in determining eligibility and calculating benefits for food stamp recipients can help States handle increasing caseloads more efficiently and cost effectively. The United States Department of Agriculture (USDA) Food and Nutrition Service (FNS) shares in the cost of developing State automated systems along with the Department of Health and Human Services (DHHS) when the systems are integrated to serve Aid to Families with Dependent Children (AFDC) Program and Medicaid recipients. As a principal provider of Federal funding, FNS is responsible for reviewing State requests for funding. If approval is granted, FNS also is responsible for overseeing the development and implementation in the State assuring the appropriate utilization of Federal expenditures, and providing assistance to States as needed.

The purpose of this evaluation is to:

- Review the effectiveness of the Advanced Planning Document (APD) process, identifying its strengths and weaknesses, and recommend improvements in the process.
- Determine the staff time and level of ability necessary to evaluate APD requests in the regional offices (RO) and headquarters (HQ).
- Determine the best method for applying standard system requirements to individual State system needs in the APD approval process.

There were no study requirements to determine the cost for the current system of APD reviews and approvals, or estimates of the cost savings possible if the recommended improvements were implemented. There are, therefore, no dollar impact estimates as part of this evaluation.

Background

FNS personnel approve or recommend approval of Federal funding for the State based on the APD review. Since the automated certification and issuance systems also support other Federally-funded public assistance programs, such as AFDC and Medicaid, the State systems have become integrated to minimize the duplication of effort and to make the administration of these programs at the State levels more efficient and effective. The APD approval process also is required by DHHS for the funding of the AFDC and Medicaid Programs. States submit their APDs to both FNS and DHHS to request Federal funding from both agencies and both agencies must provide approval of the systems approach and feasibility prior to the State undertaking the effort.

State automation has met with varying degrees of success. Although automation has made it possible for States to continue to serve the increasing welfare population, States have not been able to demonstrate decreases in operating costs, reductions in error rates, reductions in staffing

requirements, or increases in claims collections that could be attributed to the automated systems that support the program. The General Accounting Office (GAO), in a review of Federal oversight of these system development efforts, found the oversight ineffective, citing systems that have failed and systems that have cost far more than originally budgeted and funded. Although FNS has taken a number of actions in recent years to improve the APD approval processes, FNS continues to seek ways to make its processes more effective and improve communications with other Federal funding agencies. This report reflects the findings of a study of FNS' APD approval process.

Findings

1) FNS Regional Office Organization/APD Review Consistency

Each RO has the flexibility to staff APD reviews in a manner that seems appropriate to its specific organization. This leads to inconsistencies in how the APD review process is conducted and can create an environment where each segment concentrates on one specific aspect of the APD, but no one has an overall view of the full scope of the document.

2) Staffing

The majority of the APD review coordination falls on the information resources management (IRM) staff with added burdens being carried by program and financial management (FM) personnel. The workload includes support of ongoing State systems, as well as APDs for the Food Stamp Program (FSP) and the Special Supplemental Food Program for Women, Infants, and Children (WIC). There are times when the workload precludes an adequate amount of time for timely review and response to APD submissions. Additional full-time staff or the use of external resources to support ROs or HQ, as needed, should be given serious consideration.

While the emphasis of the system is aimed at providing cost-effective and thorough program support, the general design stage (program functionality) and user acceptance testing are the two specific aspects of a project where FSP functionality can be reviewed and evaluated. The APD review process lends itself to an overview of the application, and detail regarding staffing, project management, development tasks and cost. These areas are more aligned to the IRM with some cost aspects addressed by FM. The impact of insufficient staffing is felt more seriously in the IRM section due to the level of oversight and involvement in the project process.

3) Technical Expertise/Training

Due to the lack of a technical, hands-on systems environment within the region, technical staff do not have the opportunity to use their skills; therefore, these skills erode. Training courses have become victims of tight budgets, compounding the problems of finding a way to keep a technical staff technically current. More training time and direct exposure to State data processing environments need to be available to provide the IRM

staff with an adequate foundation of knowledge to effectively review technical APD plans. Additionally, program and FM staff should be given the opportunity to gain more technological insight through the use of introductory courses addressing technological capabilities, terminology, and acquisition techniques and alternatives.

As an alternative, external resources or expertise to provide in-depth technical understanding and experience should be acquired. This type of resource could provide the depth of experience needed to analyze APDs without having to increase permanent staff in the ROs.

4) State Visit Time

One way to better understand a State's APD plan and keep in touch with changing technology is to spend as much time as possible in the State's technical and planning environment. Time and funds for State visits are far too limited to enable RO staff to spend even the minimum amount of time at the State facilities. Without this type of foundation to understand the hows and whys of an APD, the 60-day review cycle will not allow even a cursory working knowledge of what the APD plan may accomplish. With this type of direct State interaction and understanding of the APD content, the current 60-day review window may even be reduced to 45 days.

5) Documentation

It was very difficult to find any RO process that would allow the staff to monitor the progress of a State's technical effort to install or enhance its public assistance system. Additionally, there was no mechanism to track the expenditure of funds against the planned expenditure in the APD to determine if the project was meeting planned objectives. In many cases, there were no records to determine what a State's final system development costs were. Improved tracking will enable FNS to identify problem areas earlier and initiate corrective action much sooner.

6) States' Perspectives of the APD Process

Generally speaking the States felt that:

- APDs are difficult to create and FNS does not provide enough guidance and support.
- The approval process takes too long and very little feedback is provided regarding shortcomings and areas where improvements could be made.
- The process was valuable, but there were major changes that needed to be made.
- The dual APD relationship with FNS and DHHS makes the process much more cumbersome, wastes time, and, at times, creates conflicting requirements.

- More information concerning APD content and guidelines for addressing acceptable limits for project costs and implementation timeframes would greatly benefit the APD creation and approval process. The current environment has created an atmosphere of isolation and lacks the cooperative attitude that would facilitate the approval process.

Recommendations

1) Staffing

FNS should increase staffing levels and/or use external resources to enable RO staff to spend more time in the States to learn, first-hand, of the project plans, keep more technically current through close observation of technology and development standards, and become more of a partner with the State. While it is acknowledged that there are current constraints on staffing levels, it is our belief that without a substantial increase in staff size, FNS oversight will continue to struggle to provide cogent and technically-sound support for the States' automation efforts. The other alternative is to greatly reduce the FNS oversight role and allow the States to be more responsible for total planning and development effort using Federal dollars.

2) Travel and Training Budgets

To enable RO staff to provide more effective oversight for the automation projects, more time needs to be spent at the State facility to gather information on project planning, development activities, problem areas, and the State's ability to implement a solid, workable solution. For active projects, visits to the State should occur monthly; for States without any active projects, quarterly visits should be sufficient. Technical training should encompass at least one course annually for each person involved in reviewing APDs. As a result of spending more time at the State site, RO staff will have a much more detailed understanding of the capabilities and drawbacks of various technical solutions and provide more effective project oversight.

3) APD Evaluations

For every RO, FNS should create an APD evaluation team, chaired/staffed by a senior member of the RO with representation from FM, program, and IRM staff to review comments of RO staff who have spent time with the State developing the APD on the strengths and weaknesses of the document. The evaluation team will make a formal recommendation for acceptance or rejection of the plan. This type of review should help to provide a more consistent view of State APDs and enable FNS to enforce a common view of agency procedures and regulations. An intermediate level (threshold) of RO approvals, such as \$10 million, could be established that would reduce the HQ Executive Oversight Committee review to only those projects in excess of the new threshold.

4) Project Tracking

FNS should create a new process for monitoring the progress of technical goals, milestones, and cost expenditures. The process could be as simple as a PERT chart depicting the technical milestones/checkpoints, activities to be completed at the checkpoint, and planned expenditures from project funds by that time. A review of technical achievements, explanations of delays encountered, contingency plans to correct the deficiencies, and project costs (to date) should be conducted. Any deviations from the technical or cost plans can then be reviewed to determine the magnitude of the issues and the ability of the State to correct the deficiencies within an acceptable timeframe. This type of process should enable FNS to more clearly identify problem areas earlier in the project process and help reduce risks of major project failures.

5) State Assistance

FNS should create an RO or HQ process that will provide information on all State project activities and enable States to request more timely and specific information on FNS requirements, and other States' APD activities, and content. This recommendation is based on nearly universal feedback from the States on the lack of definitive cost allocation guidance from FNS, as well as a lack of national clearinghouse of information on other State activity. New approaches on how to better provide specific cost allocation information and other APD-oriented information in the form of guidelines, procedures or an informational clearinghouse should be considered.

6) DHHS/FNS APD Coordination

FNS should create a new process for coordinating the responses to State APDs between DHHS and FNS. The States' biggest concern with the present process is the additional time and effort required to resolve differences between the two agencies. Use of joint FNS/DHHS HQ reviews to identify areas of mutual concern, or to coordinate efforts to resolve inter-agency differences within the projected 30-day window would greatly reduce the dissatisfaction levels currently being experienced by the States.

7) Post-Implementation and Cost-Benefit Reviews

FNS has dropped the requirement to conduct post-implementation reviews of State projects due to the shortage of resources. We believe that the process of revisiting the implemented system to verify its functionality, performance, and accuracy and to establish the actual benefits achieved through implementation of the system needs to be re-established and become more formalized. APD justification and cost-benefit projections are seldom reviewed after implementation to determine what was really achieved and the strengths and weaknesses of the particular project's development, conversion, training, and implementation plans usually are not evaluated. In the absence of a review process, the ability to abstract important data to better plan the next major automation effort is lost. A review process should be implemented to address:

functionality, eligibility determination and benefit calculation accuracy, performance (e.g., response time, batch cycle time) acceptability, and cost-benefit results achieved.

I. INTRODUCTION

Background

The Food Stamp Program (FSP) is a major element of our nation's support of low-income households and individuals in need of assistance. The program, which is administered by Food and Nutrition Service (FNS), provides food stamp benefits through State, county, or other local agencies responsible for the local administration and daily operation of the program. Designated agencies are given the mission of establishing recipient eligibility, issuing benefits, and reporting to FSP officials.

The complexity of data and decision processes associated with executing this mission, along with the massive caseloads carried by many State and local agencies, has encouraged States to develop automated data processing (ADP) systems. Because these systems are relied upon to determine individual and household eligibility and calculate grants and food stamp benefits, the systems must be dependable and accurate with respect to Federal and State regulations. The systems also must treat all applicants and recipients uniformly.

The Federal government provides funding to States for the development and operation of automated systems that support Federal public assistance programs. For integrated systems, reimbursement is provided by the Department of Health and Human Services (DHHS), FNS, and other system users according to a pre-approved cost allocation plan.

A State desiring to implement a Food Stamp Program certification system with Federal matching funds must first seek Federal approval for the initial automation planning and incurring costs associated with the planning process. Federal approval is sought in the form of an Advanced Planning Document (APD). During the planning phase, the State must justify the development or transfer of a system based on the estimated costs and benefits of the system and submit this along with a plan for allocating the development costs across participating public assistance programs. Federal reimbursement for development is intended to encourage States to automate program operations to reduce the ongoing operational costs associated with administering the Federal programs. FNS offered enhanced funding for some State planning activities as well as for development.

Since the early 1980s, FNS has employed the APD approval process to fund and monitor State automation progress, but this process has not always resulted in the development of cost-effective and efficient State systems. To improve and strengthen FNS oversight and reduce the incidence of system failures, the following actions were taken:

1. FNS required States to "investigate the possibility of transferring all or part of a system from another State unless it can be documented that the design and operation of an alternative system would be less costly."¹

¹ FNS Handbook 901, Number 91-36, April 7, 1992, Page 9.

2. FNS offered enhanced funding for State planning and development.
3. FNS suggested that States employ a monitoring contractor to assist with contractor and project management oversight during system development and implementation.
4. FNS revised the APD Handbook in 1992 and distributed it to all States.

FNS continues to approve and fund State system development efforts through this process, basing its decisions on the information, project plans and cost estimates presented by the States in APDs. Since developmental costs have continued to increase and operational costs have not been reduced but remain constant, FNS is re-examining the APD approval process to determine whether the process needs further improvement.

FNS has noticed that ongoing operational costs for automated systems vary greatly from State to State as do the costs associated with system development efforts. In some States, system development efforts have taken longer than anticipated resulting in additional, unexpected costs. States requiring new systems are encouraged to transfer existing "successful" systems from other States unless they can determine that a new development effort is more beneficial. States are encouraged to transfer existing systems in order to reduce the timeframe for design and development and control costs; however, most States feel they must customize the transferred systems to meet their own needs and requirements, leading to additional time and funding.

In a 1990 study, the General Accounting Office (GAO) reviewed the status of FSP automation in several States. The GAO report documented that FSP systems in all States were automated to a certain extent. Twenty-four States had Statewide automated systems that integrated FSP functions with those of Aid to Families with Dependent Children (AFDC) Program, administered by DHHS. The GAO report indicated that few States had been able to realize the benefits of automation originally anticipated. It also addressed the costs associated with development and operations as well as the effectiveness of automation.

In the 1990 Farm Bill (Section 1763), Congress requested that FNS conduct operational reviews of State systems to determine:

- State compliance with conditions of initial funding approvals.
- Whether these State systems adequately support program delivery, as required.

Congress also required that FNS review the regulations and standards for approving State automated data processing and information retrieval systems to determine whether, and to what extent, the regulations and standards contributed to a more efficient and cost-effective program. FNS also was required to report to Congress on the extent to which State agencies have developed and are operating effective systems that support Food Stamp Program delivery in compliance with the Food Stamp Act.

Purpose and Objectives of the Study

The purpose of the State Automation Systems Study is to assess the extent to which States have developed and are operating efficient and effective delivery systems and FNS is able to provide oversight and approval of these systems. This study requires an evaluation of the levels of automation, system features, relative efficiency, and cost-effectiveness of State ADP systems.

The primary objectives of the study are:

1. Describe and assess the current degree and state of development of State automated data processing and information retrieval systems.
2. Assess and evaluate FNS' ability to provide oversight and determine appropriate funding levels for the development of State automated systems through the APD approval process.
3. Compare State system development processes with industry standards for technological development.
4. Determine what level of automation is necessary, desirable, technically sound, efficient, and cost-effective for handling FSP caseloads and the needs of FSP.
5. Provide guidelines for assessing the reasonableness of State funding requests for ADP development activity.
6. Examine operational cost-accounting and cost-control measures and practices which are or should be built into the project planning process.
7. Identify the factors influencing a State's ability to implement regulatory changes in a timely manner.
8. Identify the factors influencing the success of technology transfers from one State to another.

The information gathered is to be used to ascertain the level of effectiveness and efficiency that has been attained through the implementation of automated public assistance systems. An analysis of each State's planning and implementation efforts and the results achieved will be used to better assess what processes have been successful and which procedures have had less than favorable results. The appropriateness of transferring other public assistance systems, as the basis for a State's new automation efforts, will be reviewed based on the amount of time and effort required to customize the programs to meet each State's public assistance functional requirements. The ability of RO staff to monitor and assist the State effort to plan, develop, and implement an effective public assistance system will be reviewed, along with the ability of both State and RO staffs to utilize the APD process to oversee the design and implementation of an acceptable, cost-effective, and efficient system.

The findings of this study will be used by FNS to reevaluate the current standards and procedures in use, review and approve the automation efforts of the States, and determine which technical solutions/approaches are most successful in this automation process. The results of this study will include the development of three items:

- A description of current State systems and their ability to meet current and future program demands; this description will address current technological standards appropriate to FSP, the impact of anticipated future demands on FSP and automated functions at the State level, and future directions that should be taken to meet those demands.
- An evaluation of Federal approval processes and guidelines for funding State automation; FNS can use these guidelines in proposing standards for State systems and approving State requests for funding. Recommendations for the preparation of technology transfer analyses will be a specific result of this evaluation.
- Information and recommendations to FNS regarding the areas specified in the Farm Bill: (1) system transfers; (2) documenting the costs and benefits of automated systems; (3) FNS operational reviews; and (4) assessment of the effectiveness of State automation.

Purpose and Objectives of This Task - Evaluation of the Federal APD Approval Process

The specific purpose of this task within the overall State Automation Systems Study is to review the current APD approval and oversight process being used by FNS to identify those aspects of the process that are effective and should be continued and those aspects that are less effective and should be reworked or eliminated.

The task was accomplished in three phases:

- Each of the seven FNS ROs was visited and personnel actively involved in the APD review process were interviewed. The interviews dealt with the specific procedures in use at each office, levels of technical knowledge, interaction with State staff in dealing with automation projects, and office APD documentation.
- FNS HQ staff involved in the Executive Oversight process were interviewed to gain their perspective on the strengths and weaknesses of the current process.
- Systems and program staff were interviewed during each State visit to discuss the benefits and drawbacks of the APD process for the States and obtain their views on their interactions with all Federal agencies involved in the approval and funding process.

This report will address our findings based on the information gathered from all sources and recommendations to be considered to improve the APD review and approval process.

II. METHODOLOGY

This section discusses how The Orkand Corporation approached the task of evaluating the effectiveness of the FNS APD process from the perspective of both FNS and the States themselves. Areas that will be addressed in this section include:

- Timing of the visits to FNS HQ, FNS ROs, and the States.
- Types of information gathered during the visits.
- State reaction to the new FNS 901 Handbook for APDs.

Regional Office

The seven (7) FNS ROs were visited prior to the conduct of the State visits. This was done to enable the two site visit teams to gather insights into the current automation status of each State and collect information on the FNS aspect of the APD process. Part of each RO visit consisted of a discussion, with State liaison staff, to learn as much as possible about the current automation posture of each State prior to the State visits.

RO visits began in June 1992 and each visit lasted three days. The visits each consisted of four parts:

- An initial presentation of the purpose of the State Automation Systems Study and the RO review.
- Interviews with representatives from the FM, program, and IRM areas to discuss roles and responsibilities.
- Reviews of APD and State files.
- An exit interview with RO management to discuss any outstanding issues with missing documentation or other information regarding the office APD review operation. No specific discussions were held on findings of the visit.

The opening presentation/kickoff meeting was normally attended by the ranking management representative (usually the Regional Administrator), management staff from FM, and the program and the external IRM staff supporting State systems. The Orkand Corporation provided an overview of the State Automation Systems Study which included the reasons for its undertaking, the goals and objectives of the study, and the process for conducting State visits. Questions were asked to determine the organization of the RO staff, APD responsibilities, issues pertaining to the APD process, and specific State situations within the region. A schedule for interviews and document reviews also was established at the opening meeting.

In most cases, the interviews were conducted with staff personnel. The focus of the interviews with personnel from each of the three staff areas was to determine which area had the

responsibility for control of the APD process, what role each area had in the review of APDs, and how comments from the three areas were gathered and a consensus was created from the individual viewpoints. Staff were encouraged to discuss the strengths and weaknesses of the process and describe how the three areas interacted to reach consensus. Special attention was given to how comfortable both the financial management and program staff were with dealing with technical documents and plans and how much exposure and training they had received in preparation for reviewing these types of documents. Additional attention was given to the backgrounds, experience, and technical training of IRM staff and the opportunities for them to receive ongoing technical training updates. Most of the regions had some interaction with their DHHS counterparts, but it seemed to be more informal person-to-person contact, rather than a formal agency-to-agency arrangement.

A review of State APDs and RO State files was conducted to determine the amount and quality of documentation maintained by the region. In addition, this review provided the site visit teams a chance to get first hand experience with APDs and to ascertain how well or poorly the States were following the APD guidelines. Correspondence files were reviewed to help determine the level of assistance requested by the States and the level of support being provided by RO staff. Additional documentation provided some insight into the level and quality of detail maintained by RO on status of State automation efforts and ongoing operations. Cost records were also inspected to help determine the effective the States were in meeting estimated project costs for automation efforts and any other data that would help determine the cost effectiveness of these solutions.

FNS Headquarters

Three interviews were held with FNS HQ staff to determine the roles and responsibilities of the FM, IRM, and program areas. In addition, Mr. Joseph Leo, FNS Deputy Administrator-Management, was interviewed to gain the perspective of a senior manager and member of the Executive Oversight Committee on the APD process. Emphasis was placed on the APD roles undertaken by the IRM, FM and program operations staff, the current problems with the APD process, and areas of concentration to be pursued during the State visits.

In addition, State files from IRM and specific background information regarding State statistics, such as participation levels, error rates, and administrative costs, were reviewed or gathered during these interviews and visits. This information would be used in preparation for State visits and incorporated into the individual State reports.

State Visits

The visits to each State began in February 1993 and continued into December 1993. Two site visit teams, each consisting of three members with experience in FSP operations, cost accounting and allocation, and systems analysis, handled approximately 25 States each. Each visit lasted for three days and was conducted under the following format:

- Use of pre-visit questionnaires requesting information requiring some time and effort for the State to assemble.

- Introduction/kickoff meeting.
- Interviews with specific areas and management staff for FSP operations and systems.
- FSP system demonstration and data center tour.
- Review of State APD and correspondence files.
- A sampling of FSP system users to ascertain their level of satisfaction with the current system.
- An exit interview to identify any data elements that were still outstanding and whose responsibility it was to resolve them.

Data Collection Instruments

Nine different data collection instruments (DCI), which previously were approved by the Office of Management and Budget (OMB), were used to capture approximately 5,000 elements of information in each State. Three of the nine instruments addressed issues relating to the FNS-State relationship or the strengths and weaknesses of the current APD process. These were the Project Management Interview Guide, Management Information Systems Interview Guide, and the Food Stamp Program Interview Guide. Each of these instruments addressed specific aspects of either the interaction between the State and FNS for support and approval of the APD or experiences that the State had in working with APDs. Emphasis was placed on timeliness, level and quality of FNS support, positive and negative aspects of the APD process, the impact of dealing with both FNS and DHHS for APD approval, and areas of the APD process that could be improved. Based on input from FNS, specific examples of areas of improvement were not requested from the States during our visits.

Program operations, State systems, and the State's project management staff provided their views. Project management staff had some of the most direct contact with FNS RO staff and the APD process.

In addition to DCIs, the States were asked to provide APDs, APD updates (APDU), files of correspondence files between the State and FNS, and copies of the cost allocation plans submitted to FNS for approval. These were used to provide a chronological view of the APD approval process from the perspective of the types of changes or clarifications that were requested and the amount of time that elapsed in completing the process.

Impact of FNS Handbook

One of the goals of the State and RO visits was to determine the usefulness of the FNS 901 Handbook in the preparation of APDs. The handbook was also used in reviewing how well ROs and States followed the APD preparation and approval procedures. The way ROs handled APDs

and the timeliness of their processing the APD was studied. At the State level, the helpfulness of the document in guiding the APD preparation was ascertained.

Since the release date of the FNS 901 handbook was April 1992, its use in the ROs and States was found to be very limited. Insufficient data was provided to allow useful analysis. Most States that followed a FNS handbook were using either the 103 or 151 version. No specific analysis was made of the conformity to the earlier version of the handbook.

III. FINDINGS

This report addresses the positive and negative aspects of the APD evaluation process from The Orkand Corporation's perspective of the FNS' RO role. It offers a composite view of the States' perspectives of the impact of the APD process on their efforts to develop systems to support public assistance operations and presents their view of the value of FNS' RO and HQ support of these efforts.

In the visits to the seven FNS ROs, data collection instruments were not used. Information was gathered through interviews with regional staff and reviews of available documentation. As a result, statistical data are not reported for the RO visits. Subjective evaluations, based on the APD evaluation requirements presented in the FNS Handbook 901 and RO operational observations, are reported.

The State results were captured via OMB-approved DCIs and allow us to provide a representation of composite responses. The State findings were limited to their responses to DCIs which, in most cases, did not provide for any anecdotal feedback since this type of information was not requested by FNS during the creation and testing of DCIs. The information from the States will be presented in table formats with whatever additional information was captured.

Regional Office Findings

1) Regional APD Organization

Each RO appears to organize itself as best fits its ability to handle the evaluation of APDs. Most have the process under control of the IRM staff, but one region has it under the program staff. There was also a diversity in RO roles that may lead to inconsistency among regions in the evaluation process since no two regions allocate staff and responsibility in exactly the same way. Based on the levels of cooperation within a RO and the personalities of the individuals assigned APD evaluation responsibilities, the current process can work well or with great difficulty. There is no way to measure effectiveness and capability of the effort among all ROs due to the differences in structure, composition, and control within each region. An effort needs to be made to align all ROs into the same organizational structure to enable better management review and controls from FNS HQ over APD evaluation performance.

In all cases, the APD evaluation workload is not the entire workload of the IRM staff. IRM staff is usually split between internal systems support (e.g., regional LANs, connectivity to FNS HQ) and external systems (e.g., APDs, State system issues). Program and financial management personnel are normally assigned as needed to support a particular State when an APD is submitted. When an APD arrives, it is copied and distributed to each area for independent and specific review of its designated areas (e.g., cost allocation, system design, functionality). Comments then are collected, discrepancies are discussed, and necessary documentation created. Clarifications from the State are requested, if necessary, and the executive summary for the Executive Oversight Committee review is prepared for projects in excess of \$1 million. It appears that this type of independent review can lead to each area concentrating on its specific concerns and missing the impact of the overall project. The use of a consistent RO APD review committee with representatives from each of the three functional areas (FM, program, and IRM) taking the technical lead for their particular expertise would eliminate the potential for misinterpretations and oversights caused by the independent review approach. This may entail the creation of an RO APD review team that will apply the same review criteria to every APD within the RO and create a more consistent view of APDs. Individual liaisons to the State from FM, program, and IRM would continue, and their input to the APD review would be of considerable importance to the insights behind the APD.

2) Staffing

There are normally two IRM staff, one program staff, and one financial management staff assigned to the APD evaluation process. The work is in addition to other responsibilities which take a great deal of time to perform. This results in the time available for an effective review of the very technical APD evaluations.

IRM staff tend to have less seniority within the region and less systems experience than their counterparts in program and financial management sections have in their respective areas. In addition, since they get no direct technical reinforcement by having regular, hands-on exposure to the technology they evaluate, IRM staff find it very difficult to stay current with the strengths and weaknesses of the hardware/software platforms. Since they must share the APD workload for all of the States within the region, IRM staff can find themselves either inundated with APDs or involved with support of ongoing State system issues. Most regions have an active APD environment today and the staff is usually very busy.

Since the IRM staff carries the highest technical evaluation burden, it would be practical to ensure that there are enough personnel on staff to effectively handle the APD volumes currently being generated by the States. Every region appeared to have fewer IRM staff than could be considered practical to support the ongoing State support workload and do a competent job in reviewing the APDs being generated for approval.

Program operations normally assigns a single person to handle the APD evaluations for all States within the region. The individual spends a great deal of time reviewing system

functionality, leaving cost allocation and hardware/software design and configuration to the other areas. The individual's ability to use the APD document to understand the functionality of the proposed system is difficult, at best.

Financial management normally will assign one staff member to review the cost aspect of an APD. The assignment may rotate among a number of individuals, based on workload or familiarity with the State's financial reporting. In one region, the financial management area has dedicated an individual to working with APD evaluations on a full-time basis. This approach seems to be the most workable solution to address the lack of consistency and timeliness that was observed in the handling of APD evaluations.

3) Technical Expertise

As mentioned earlier, the IRM staff has little, if any, opportunity to get first-hand technical experience while working as RO staff. Since the pace of technological change continues to gain momentum, the consequences for the IRM staff are that they cannot maintain technical currency without regular exposure to that technology in the field. Even those who have extensive systems backgrounds will lose touch within six to twelve months without consistent interaction with State or Federal technical staffs.

For the most part, RO IRM staff felt technically out of touch and unable to spend adequate time with State systems staff to gain meaningful ongoing technical updates. With limited travel budgets available, time spent with the States is insufficient to keep RO IRM Staff backgrounds current.

Neither program nor financial management staff who handled APDs seemed to have a reasonable grasp on the technical concepts being presented in APDs. One region has attempted to provide some exposure to technical concepts and terminology, but it has not been used by the majority of the offices. Since the usual content of the APD discusses technical items, this type of background and training seems to be necessary.

4) Training

Technical training for IRM staff, as well as training in concepts and terminology for program and FM staff, appears to be sorely lacking. All ROs felt that there were many opportunities to attend classes, seminars and symposiums, but there are never enough dollars available to take advantage of them. Again, this appears to be a case of missing an opportunity to provide career growth, enhance technical understanding, and enlighten the evaluators of new techniques and offerings that could help a State improve its design or otherwise enhance its system. These types of improvements in multi-million dollar systems could result in savings in the tens of thousands of dollars, much greater than the small training costs that each region would undertake each year. By taking advantage of these relatively inexpensive opportunities, FNS could improve RO ability to provide analytical oversight and give the program and FM areas more insight into the technical components of the State's solution.

5) State Visits

Lack of adequate travel budgets prevents nearly all ROs from spending the necessary amount of time at the State to observe the ability of the State to plan and develop workable automation systems to support FSP. Since each State invests major personnel and financial resources and contracts with external contractors in its projects, it seems reasonable and cost-effective for the Federal government spend sufficient time and money to insure that its investment is being well-spent. Additionally, there is no better way for the regional IRM representatives, as well as program and FM staff, to learn about the system, its capabilities, design characteristics, functionality, pilot and conversion plans, development/implementation schedules, and cost considerations than being on-site when these discussions are being held and decisions are being made. It seems logical to spend a relatively small amount of money to send RO staff to the States when hundreds of millions of dollars are being invested in the products of these planning and implementation efforts.

Every RO spent less than the desired amount of time in their States monitoring the progress of the automation efforts. In the larger western regions, it is more of a problem because longer distances to each State location result in many fewer trips than in the smaller eastern regions where all States can be visited by car.

To expect that three or four people can review, assimilate, and comprehend a plan in 60 days that a staff of 10 to 50 people have developed with 20 to 40 person-years of effort is unrealistic. It would be far better for FNS to have its staff oversee the development of APDs by sharing in the States' planning efforts and only using the formal APD as the vehicle to fund and contractually bind the Federal resources to a concrete plan that has already been reviewed and approved by FNS through its direct oversight of the creation of the document. With higher staffing levels at the RO, this could be accomplished with relative ease and create a much more productive and cost-effective oversight environment.

It is impractical to attempt to provide a "target" staffing level for ROs since the APD review effort would vary based on the number of APDs in process at the same time, complexity of the project, and success record of the State in implementing previous projects. It would be more reasonable to establish what can be expected to be completed in the current 60-day window and how many projects can be handled concurrently. Based on these factors, staffing levels would be determined by the number of APDs to be reviewed and monitored. The number would vary based on the number of active APDS.

6) Consistency of APD Process Across Regional Offices

As mentioned earlier in the APD Organization section, each RO appears to have the flexibility to organize independently to evaluate APDs. One of the results of different APD review approaches is the lack of consistency among ROs on how APD rules are enforced. These inconsistencies included:

- Time when APDs are closed.
- Conduct of post-implementation reviews (when they are required).
- Conditions when APDs are required for hardware upgrades.
- Guidelines for cost-allocation plans.
- Timeliness in responding to APDs.

We found that some ROs closed APDs after the approved system was implemented and some kept them opened and used APDUs to process requests for additional or new hardware and software or to perform some major enhancements to the system.

In some cases, ROs performed post-implementation reviews within a reasonable period after the system had stabilized, but, in other cases, there was no evidence that a post-implementation review had ever been conducted, even on systems several years old.

Some ROs required States seeking Federal financial participation to submit APDs for shared State data center hardware upgrades, even if there was no apparent connection with the FSP system. Others did not require APDs for these types of upgrades.

Cost allocation plans appear to be viewed as independent entities, rather than integrated parts of APDs, and State staff believe that the lack of overall guidelines -- regarding what was expected, what was viewed as acceptable, and what was needed to be reworked -- complicated the preparation process. Even with the 1986 Memorandum of Understanding with DHHS as the recognized guideline, there were no clear rules or expectations that provided consistency among ROs. As discussed in the findings from the State visits, the States' biggest complaint regarding the APD process was the total lack of guidance and consistency in the cost allocation plan area.

Timeliness in processing APDs within 60 days of receipt was interpreted differently across ROs. Some ROs felt that as long as you notified the States that the APD had been received and was under review that the requirement had been met. Others made every effort to get back to the State as soon as possible with comments, suggestions, and concerns.

Without a common staffing approach to APD reviews in every RO and consistent application of the guidelines that were established in the APD Handbook 901, there may not be consistent, comparable APD reviews among the ROs. Each RO would follow its interpretation of the 901 Handbook, based on the makeup and perspective of the individual APD teams. Each APD review team would have different perspectives based on what area leads the APD study in a particular RO and which areas of expertise are represented on the review team. This can result in one RO finding a State's APD acceptable, while another RO may find a similar APD representation unacceptable.

7) Documentation

As part of each RO review, time was spent reading documentation files on APDs, project histories, and State operating information to gain a better understanding of each State's condition prior to the State visit and to review how well the RO kept track of a project's progress. Expectations were that there would be an abundance of information on the APDs and the cost history of recent or active projects.

What was found was a variety of conditions that ranged from full files of current and/or active APDs, including the APD itself and pertinent documentation, to files that had very sketchy background information and no APD documents. Part of the problem was tied to limited storage space, but it was clear that there were no specific filing requirements for State information and documentation. More importantly, we found it very difficult, if not impossible, to get any information as to the current cost history of any of the projects. Some ROs had information as to the amount of money being drawn by a State, but no other definitive data addressing how the project was progressing according to the FNS-approved development and implementation plan. There was virtually no information within financial management, program, or IRM areas that could show what had been authorized and what had been spent-to-date on any APD about which we inquired. The SF-269 report aggregates all development activity in a single column. States are not formally required to provide a detailed breakout of each development project and, without this breakout, there is no way to determine the cost history of a specific project. The same issue applied to operational costs, which are also combined into a single column on the SF-269. There appears to be no requirement for ROs to keep any detailed information on projects, even though it would be one of the most significant indicators for tracking progress of the project.

Lack of this type of documentation and tracking data would seem to be a serious omission in FNS' mission to effectively oversee the State's ability to develop and implement an automation solution for FSP.

8) Applying System Standards to State System Needs

FNS should review the following areas to determine the effectiveness of the State's functionality and planning effort:

- APD functional specifications and compare them to the Model Plan requirements for completeness. A new, more specific listing of Model Plan specifications may need to be created.
- Inclusion of programmatic staff, field staff, in-house MIS staff in the requirements planning phase of the project process.
- Inclusion of standard hardware and software characteristics for Request for Proposals (RFP).

- Reasonable performance requirement specifications (i.e., response times, database sizes, transaction levels, etc.).
- Project development, testing, conversion, and production rollout timeframes that fall within other States' experiences for States with similar workloads and functionality.

State Findings and Perspectives of the APD Process

FNS has experienced some problems with States not providing the required APD information; on the other hand, States have had difficulty, at times, in providing the information in the format required by FNS. Several sections of DCIs addressed the State's perceptions of the APD process and its value to the State. The questions were multiple choice to enable the responses to be more accurately coded. Open-ended questions were avoided to minimize the number of variables to be analyzed. This approach reduced the amount of information available as to the reasons for the States' perceptions and limits our ability to provide more depth than is depicted in the following tables. Information was collected on those areas that appeared to be most problematic to the States. Data collection focused on the kind of direction, guidance, or assistance that FNS provided to the State to minimize the number of APD iterations.

The questions asked were approved by FNS and OMB for use in DCIs to gather States' perspectives of the Federal APD process. The approach focused on obtaining the States' view of the current process, rather than on obtaining specific recommendations and proposed changes from each State. This was done to establish an overall view of the process from the States' viewpoint and not to create a lengthy list of wishes specific to each State environment. The following tables reflect the composite attitude regarding the current strengths and weaknesses of the APD process.

The opinions of State staff also were solicited about the helpfulness of the APD process and their suggested changes to the process. A review of this information should provide direction to FNS in areas where changes in the process could be made. Information regarding specific changes each State wanted to make was not requested because the focus of the collection was to quantify those areas where some type of improvements were desired.

For those States that had direct knowledge of the FNS 901 Handbook, nearly everyone felt that it was a valuable document that would assist them in creating an APD. No State had, yet, used the 901 Handbook to prepare an APD. ROs all had the handbook, which was distributed in April 1992, for a period of three to eight months, but its procedures were not being followed in all regions as discussed in point #6 of the Regional Office findings.

The following charts are a representation of those DCI questions addressing the APD process. The tables reflect the actual questions and possible answers that the State could select. Open-ended answers were eliminated to provide a more consistent pattern for analysis in the Final Report. They are being presented to give FNS a snapshot of the States' perspectives of the current process.

1) **States' View of the APD Process**

The information presented in Table 3.1 provides a picture of how well the States perceive the APD process has helped them. Although most of the States thought they had enough time to prepare their APD(s), most also felt that FNS did not provide a response to the APD in the expected timeframe. Most States could not differentiate the performance of RO and HQ as far as timeliness of the review process, but many felt that it took longer than anticipated. More than half had to request changes in their original request that resulted in additional Federal funding.

Table 3.1 APD Review and Approval History

	Number of States
Changes were required to original system design to stay within Federally-approved budget	7
Changes in the project required additional Federal financial participation	27
Had enough time to prepare APD(s)	38
Ever had an APD rejected by FNS	13
APDs have been processed by RO within 60 days:	
Usually	15
Sometimes	5
Rarely	25
None Submitted	2
APDs have been processed by FNS HQ within 30 days:	
Usually	6
Sometimes	3
Rarely	22
None Submitted/Unknown	13

2) FNS Oversight

The view of the State FSP personnel regarding RO oversight was difficult to capture. Responses regarding the effectiveness of FNS oversight are provided in Table 3.2. Many indicated that their project was too old to provide a representative answer or that they had not been required to complete an APD and were unable to provide any insight. The one item of note was the universal view that FNS does not provide enough specific information and guidance to enable the State to prepare an effective APD the first time. APD preparation is viewed as a "trial and error" process, especially in the area of cost allocation planning.

Table 3.2 State FSP View of Regional Office Oversight Effectiveness

Oversight Activity	Number of States				
	Harmful	Ineffective	Somewhat Effective	Very Effective	No Assistance
Providing technical assistance in system area	0	2	6	0	18
Providing guidance in APD preparation	0	2	12	4	10
Providing assistance in gaining APD approval	3	1	15	6	5
Assisting in understanding Federal Financial Participation requirements	0	6	9	4	10
Assisting in correcting system deficiencies noted by FNS	0	1	5	1	17

Information gathered from MIS staff on their working relationships with FNS staff is quite complete (Table 3.3). More than half the States reported infrequent contact (less than monthly) with FNS staff. A majority of the staff who responded rated the FNS staff's capability and cooperation quite highly; however, 30 percent of the States that responded thought FNS policies and procedures were inconsistent. Over 47 percent of the States viewed FNS technical staff capability as poor or had no experience with FNS technical staff. This may indicate some dissatisfaction by State staff with the support provided by FNS, especially if States do not seek technical assistance from ROs because they perceive it as not valuable.

Table 3.3 MIS Working Environment with FNS

	Number of States
Frequency of contact with FNS staff:	
Monthly or more frequently	10
Quarterly	15
Less than quarterly	22
Capability of FNS technical staff:	
Very good	11
Good	16
Poor	4
No experience with technical staff	20
Cooperation between MIS and FNS staff:	
Very good	14
Good	25
Poor	3
No experience with FNS staff	7
Consistency/fairness of FNS policies and procedures:	
Very good	4
Good	26
Poor	12

The relationships between the States and FNS during State development projects seem to have been satisfactory (Table 3.4). More than half of the States used some assistance from FNS, although many thought they could have used more assistance. More than 60 percent of the States thought their technical and program relationships with FNS were satisfactory or better and many of them worked with FNS staff monthly or more frequently. This staff was part of the project management team and had more interaction during the project than the MIS staff who responded in Table 3.3. The States seem to have had less contact with any FNS financial management staff, as evidenced by the lower response numbers.

Table 3.4 Relationship of State and FNS During Development Project

Nature of Relationship	Number of States
Utilized assistance from FNS	28
Could have used more assistance from FNS	31
Worked with FNS technical staff monthly or more frequently	18
Technical relationship with FNS was satisfactory or good	32
Worked with FNS program staff monthly or more frequently	27
Program relationship with FNS was satisfactory or good	35
Worked with FNS financial management staff monthly or more frequently	12
Financial management relationship with FNS was satisfactory or good	23

As shown in Table 3.5, less than half of the States have some contact with FNS on an ongoing basis. More frequent contact occurs between the State and RO than with FNS HQ. Just over half of the States reported on-site visits by RO staff during the project and an equal number reported telephone conversations with FNS HQ or RO staff. The audience for these questions was program staff who may not have been as directly involved as the system staff during the project. No specific information was requested as to direct interaction with FNS HQ staff or DHHS staff during State project development.

Table 3.5 Ongoing FNS Oversight Activities

Activity	Number of States
Post-implementation review conducted by RO	22
On-site visit by RO during system development	26
Telephone conversation with FNS RO	24
Telephone conversations with FNS HQ	2
No contact	14

3) APD Process

Most of the States' development project managers had an opinion about the helpfulness of the APD process for their States. Twenty-seven percent thought the process had been disruptive in their States (Table 3.6). Fewer MIS staff interviewed had opinions on FNS RO oversight and the opinions they had were mostly neutral. The smaller response probably reflects the lack of involvement by MIS staff in the APD process in many States. In general, the APD process was considered helpful in forcing the State to plan the project more effectively. The negative aspects were focused primarily on the approval delays and disruption to the flow of the project due to FNS requests for additional APD clarifications and APD rework without any compensating benefits that could be quantified (e.g., better implementation plan, more equitable cost allocation method).

Table 3.6 Assessment of the APD Process by the State

Rating	Number of States	
	View of State's APD Process by State's Project Manager	View of FNS Regional APD Oversight by State's MIS Representative
Helpful	22	7
Neutral	11	23
Disruptive	12	7

Various aspects of the development project were perceived to be affected to different degrees by the APD process (Table 3.7). Two project areas, cost allocation and project schedule, emerge as having been significantly affected by the APD process.

Table 3.7 Impact of the APD Process on Various Areas of the Development Project

Development Project Area	Number of States Perceiving the Following Level of Impact			
	None	Little	Some	Much
Budget	14	5	8	11
Cost Allocation	7	4	2	29
Project Cost	13	7	10	8
Cost Reporting	14	5	6	14
Project Scope	23	5	4	8
Project Complexity	29	8	1	3
Project Management Approach	29	6	3	4
Procurement Approach	15	5	1	12
Project Schedule	8	4	7	24
Use of FNS Guidance/Assistance	8	14	2	9
Use of DHHS Guidance/Assistance	7	10	8	7

Many States found several aspects of the APD process valuable in undertaking any major project. The value was in the planning and review of critical components of the project to ensure that all aspects had been considered effectively and contingency plans had been created. The APD process areas found to be valuable by most States are the planning and implementation APDs, the cost allocation and cost-benefit analyses requirements, and DHHS certification.

Table 3.8 APD Areas with Value for States

Areas of the APD Process	Number of States that Value APD Process Area
Planning APD	27
Planning Request for Proposal (RFP) approval	6
Cost Allocation	21
Cost Benefit	29
Implementation APD	30
Implementation RFP approval	10
FNS approval	22
DHHS approval	23
Certification	31
System transfer emphasis	19

Many States also found several aspects of the APD process that they would like to see changed (Table 3.9). Both FNS and DHHS approval were selected by more than half the States as areas needing revision to be more effective for their needs. In addition, the cost allocation process generally was viewed as necessary, but a majority of the States felt that the current process created issues that were difficult and time-consuming to resolve. The primary concern revolved around the lack of definitive guidelines from Federal agencies as to what was acceptable and what was not acceptable in cost allocation plans. Several States felt that they were playing "guess the right number" when submitting financial planning data to both Federal agencies. Specific information was not gathered from the States about the types of changes they would like because such information was not requested by FNS.

Table 3.9 Changes Regarding the APD Process

Areas of the APD Process	Number of States that Want Changes Made
Planning APD	13
Planning RFP approval	19
Cost Allocation	28
Cost Benefit	20
Implementation APD	16
Implementation RFP approval	25
FNS approval	30
DHHS approval	30
Certification	15
System transfer emphasis	22

A majority of the States indicated that the FNS and DHHS approval processes required changes. The specific improvements suggested in Table 3.10 provide a similar picture. The most popular suggestions are for FNS and DHHS to have more consistent requirements and for the APD process to be simplified. The States are frustrated with the process which requires them to conduct two simultaneous negotiations with FNS and DHHS for approval of a single APD. Many times the States are required to become a facilitator between the agencies to resolve different, and sometimes conflicting, modification requests. States perceive that there is very little productive communication between FNS and DHHS and the approval process would not be completed in any sort of timely manner without their proactive participation and bargaining. It is also clear from the responses that the States would like more assistance from FNS during all aspects of the project. Again, information regarding the status and approaches from other States' development efforts would be greatly appreciated.

Table 3.10 Improvements to the Federal Government's Funding Approval and System Development Monitoring Process

Improvements Suggested	Number of States
More technical assistance	22
More program assistance	16
More candidate system assistance	31
More consistency with DHHS requirements	45

The nature of the dual relationships of the State with both FNS and DHHS is not perceived as being as cooperative or coordinated as they could be (Table 3.11). More than half of the States thought that having to work with both agencies was non-cooperative and time-consuming. Most of the States thought the dual role of DHHS and FNS complicated the APD review process, delayed APD approval, and resulted in requests for conflicting changes. Very few thought there were any positive effects of the joint DHHS/FNS APD effort. Again, FNS did not request that specific examples be captured from States during the site visit; therefore, the data collection effort focused on the States' perceptions of the process.

Table 3.11 Interaction Between FNS and DHHS

Nature of Interaction	Number of States
Similarity of requirements:	
Similar requirements regarding system development	9
Different requirements, but efforts involved overlap	28
Completely separate efforts required	7
Degree of Cooperation:	
Cooperative and non-disruptive interaction	2
Non-cooperative and non-disruptive interaction	11
Non-cooperative interaction, creating a difficult, time-consuming environment in which the State must operate	28
Specific effects of dual role of DHHS and FNS in APD review:	
Complicated the review process	38
Delayed approval	33
Requested conflicting changes	27
Simplified APD approval	1
Provided complementary assistance	6

IV. CONCLUSIONS

1) Organization

There is a lack of consistency among ROs when dealing with APD reviews. The differences can be found in several areas. For example, for upgrades to peripheral equipment in a shared State data center, several ROs require that the State submit an APD or APDU, as required by the 901 Handbook. Other ROs allow the State to process the upgrade request within normal State acquisition channels. This may reflect the absence of a formal and recognized FNS organizational plan that could be used by all seven offices and could help create similar procedures and processes in all ROs in evaluating APDs. Under current procedures, different rules are applied to deal with the same issues depending on the FNS region in which a State resides. Since States communicate frequently when evaluating systems for transfer, it is reasonable to assume that they also would discuss APD reviews and issues raised by FNS during the approval process. If different issues and approval methods are used for the State receiving the transferred system, FNS presents the appearance of being inconsistent in the application of its rules and guidelines.

2) Staffing

Given the scope of the RO responsibilities -- handling both FSP and WIC APDs, dealing with other aspects of the States' ongoing operational systems, and attempting to remain technically current -- there is insufficient IRM staff to support the workload. The APD review process lends itself to an overview of the application and detail regarding staffing, project management, development tasks and cost. These areas are more aligned to IRM with some cost aspects addressed by FM. While the emphasis of the system is aimed at providing cost-effective and thorough program support, the general design stage (program functionality) and user acceptance testing are the two specific aspects of a project where FSP functionality can be reviewed and evaluated. It would be more practical to determine RO staffing levels based on the level and complexity of ongoing State support activities in the RO and the expected level of APD review efforts. For example, because of the size and complexity of California's efforts and the project histories and automation needs in both Oregon and Washington, the Western RO would require more IRM staff than another RO would need to cover a similar number of States and projects. The attempt to staff ROs for an average workload seems to prevent FNS, at times, from having adequate staff and staff time to effectively address multi-million dollar project reviews.

Each region should have staffing levels reviewed at least every two years to insure that there is a reasonable workload spread for support of State systems.

3) State Visits

Along with staffing, it is clear that insufficient time is being spent at the State facilities to observe and understand the activities and levels of performance being achieved by the

State. There is no better way to learn and understand how a project has been conceived and planned than by watching it develop and grow. In addition, RO staff can acquire better technical knowledge by working closely with State technical staff as they develop the plans and requirements for a new system than by merely observing the results that are achieved. On-site involvement of RO staff also helps build a sense of partnership between FNS and the State. This type of on-site activity also may provide FNS with first-hand knowledge of the project's progress and allow FNS the opportunity to identify negative trends and warning signs in the project cycle much sooner. This information may help FNS assist the State in creating solutions that do not significantly affect the overall success and cost of the project.

During the planning and development cycle of an automation project, the RO representative should be on site at the State at least monthly and more frequently if the project is approaching a critical phase or shows signs of project slippage, cost overruns, or performance problems. All seven ROs lack sufficient travel budgets and staff time to spend this amount of time at a State to observe the project plan and staff in action. While it is important to control administrative costs, cost considerations must be balanced against the need to provide adequate oversight and technical support. Given that cumulative costs for State systems projects are hundreds of millions of dollars, the potential for significant cost savings through improved oversight justifies nominal increases in investment for staff and travel. Information gathered during the State visits indicated that 24 States would spend \$943.2 million over a six-year period beginning in 1990 to develop Federally-financed automated systems that would support FSP. An investment in two additional staff members with annual salaries of \$40,000 in each region, two additional HQ staff with \$40,000 per year salaries, and 40 percent for fringe benefits would cost FNS less than \$6 million over the same six-year period. If improved oversight saved 0.7 percent of the estimated project costs, the costs for the added staff would be recovered.

4) Assistance to States

States are looking for FNS to participate as a partner in their automation projects, not as an implementor of the project plan. It is not FNS' mission to perform the project tasks, but it is FNS' role to provide assistance in program operations, financial management, and technical solutions as required by the State. State personnel feel that the quality and quantity of support being provided by FNS is insufficient to help States create effective APDs. This shortcoming creates delays in the creation and approval of an APD and consequently delays the development cycle of the project. Delays subsequently increase the cost of the project and FNS participation levels. Additionally, the desired partnership between the State and FNS will be negatively affected by the perceived lack of FNS interest or concern in the State's desire to improve its operational environment supporting FSP.

5) Training

There is virtually no technical training being conducted for program, FM and IRM staff in the ROs. Lack of money and time for training prevents staff from getting necessary technical updates. If IRM staff do not deal with hands-on technical tasks due to the nature of their work, are unable to spend any amount of productive time in a hands-on technical environment (i.e., State IRM organizations), and lack training and exposure to new technological innovations, they will necessarily be unable to understand the issues and effectively review proposals for multi-year, multi-million dollar developmental efforts. The program and FM staff also are handicapped by their lack of familiarity with current hardware and software tools and techniques. Training would provide an understanding of the basic concepts and terminology, which would enable both the program and FM areas to be more productive in their reviews of the total APD document. Without a commitment to keeping RO and HQ staff abreast of the environment in which States operate, FNS has little chance to have any technical impact on the State's projects or any meaningful insight into the reasonableness of the State's implementation plans.

6) Documentation

Lack of APD documentation and history at ROs means that there is no effective audit trail for the State's conduct of the project. This makes it very difficult to establish review points, perform project tracking, and effectively report on project progress without relying on the State for accurate information. This was especially true in the cost areas where it was very difficult to find any meaningful data covering the project history in any RO. Detailed files should be maintained during the active life of a project and a summary file addressing those items identified as requirements should be maintained at ROs on an efficient storage medium for the life of the system.

7) Tracking

There was very little evidence that ROs were able to determine where a specific project was in its development or implementation cycle. Financial management had some separate reports that allowed them to determine how much money had been drawn down, but there was no way to assess if the project was on schedule in meeting performance and cost objectives established in the APD project plan.

8) APD Review Consistency and Coordinated Requirements

Each RO had its own method of allocating staff for APD reviews, dividing the APD for review and comment, and consolidating the results in a single response to the State. ROs also were not consistent in their definitions of timeliness in meeting the 60-day window for responding to APDs. In addition, there were very few instances where APDs were rejected by FNS as insufficient. There was almost always a conditional approval granted, sometimes after the APD had been in the process of evaluation for as long as a year after the initial submission by the State. It would seem to be more practical for

all parties if the approach were modified. All APDs would be reviewed within the 60-day window. For APDs that RO staff found to be significantly complete and accurate, FNS would grant conditional approval and allow the State to begin work while the final details were clarified. If the document was found to be significantly incomplete and unacceptable, it should be rejected and specific reasons for its rejection would be included. The APD would be sent back to the State for a total rework. This process would place both ROs and States in positions of accepting responsibility for the quality and acceptability of APDs and would enable each side to concentrate on workable documents and clear requirements.

V. RECOMMENDATIONS

Based on the information contained in Section III, Findings, and Section IV, Conclusions, we recommend the following actions to improve the FNS oversight and APD evaluation process:

1) Staffing

FNS should increase HQ and RO IRM staffing levels to allow for reasonable workload allocation between APDs and other State program activities. The level would vary by RO and the workloads currently in place. Staffing should be reviewed every two years to insure that the workload status justifies the staff level. Levels should be sufficient to allow for timely and regular State visits and for reasonable levels of ongoing technical education. Based on our observations and the voluminous amount of technical detail in APDs, it is recommended that no RO staff person handle more than two major (in excess of \$10 million) APDs at the same time. Each staff member should handle no more than three States for all activities to help ensure that full attention can be given to each State's developmental effort. Additional support could be supplied through the use of qualified APD-experienced contractors.

HQ staff should also be increased to allow for dedicated coverage to an entire group of States, delineated by RO. This would help create a more consistent delivery of support to ROs and their States.

An alternative to increasing RO IRM staffing levels would be to use external contractors, exclusively, to perform the detailed APD evaluations and provide a summary report to the RO for its comments and concurrence. This would free RO staff to deal with non-APD issues, monitoring of implementation activities, or ongoing State system activities. The cost for this approach would be dependent on the volume and complexity of APDs to be reviewed. Based on a three-person team with program, systems and cost allocation experience, costs could range from \$3,000 to \$6,000 per week.

2) State Visits

FNS should provide adequate staffing and travel funding to allow RO staff to visit State sites at least monthly to observe and monitor State project activities affecting FSP operations, including WIC and Electronic Benefits Transfer (EBT).

3) APD Evaluation

At each RO, create a team consisting of representatives from the program, financial management, and IRM areas and chaired by one of the senior members of the RO management team. The committee would review comments from the individuals responsible for supporting the State who have reviewed and commented on the APD submission. The APD evaluation team would make the formal recommendation -- to accept, conditionally accept, or reject the APD -- either to the HQ Executive Oversight Committee or the State itself depending on the APD amount. The primary roles of the RO APD evaluation team would be to ensure timeliness of FNS processing and consistency in the application of FNS rules and requirements as well as to expedite and simplify the approval process.

FNS should create an intermediate approval of \$10 million that can be dealt with by the RO APD evaluation team without HQ oversight. This should enable most hardware upgrades and small system enhancements to avoid the higher-level review steps. Larger hardware and software APDs will still follow the Executive Oversight process.

4) Project Tracking

A milestone and cost expenditure checklist should be a required as part of each State's APD submission. This list would be retained and used by ROs to track the technical progress in providing deliverables and documentation and actual dollars expended by milestone. This capability would enable FNS to determine more quickly if the project is staying on schedule, based on the performance and costs at each milestone. If the milestones provided are too infrequent, FNS should work with the State to create interim milestones to track progress in shorter increments. Checkpoints should occur at least semi-annually or, preferably, quarterly. Any variance from the plan should be reported by the State in a formal document and corrective action plans should be submitted. FNS should be responsible for understanding the reasons for and adequacy of the report and should increase its monitoring activity if necessary.

5) State Assistance

FNS should provide more assistance to the States concerning the preparation of APDs. States expressed a need to receive more support from FNS in areas concerning cost allocation methodology and plans, especially in determining acceptable levels of system cost and cost allocation approaches that were acceptable to both FNS and DHHS. Information regarding technical issues and programmatic issues were felt not to be as important, but FNS should improve its information dissemination process.

One method would be to create an APD hotline at FNS HQ to answer both State and RO questions regarding APD preparation and content. Another would be to create a clearinghouse of State system information that would compile data on each State's experiences with transfers, conversion, implementation, hardware/software platforms, etc. and be able to respond to all State inquiries concerning these activities. A third

would be to establish a pre-APD meeting with the State to review the APD format and requirements and answer any questions that the State might have. This step would enable FNS to provide the most current information on APD expectations and would enable the State to get clear, concise data as to how to create its APD.

6) Improved Coordination with DHHS on APD Reviews

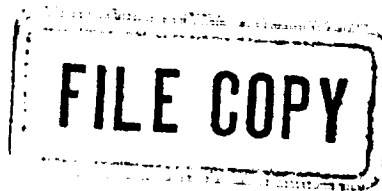
Every State claimed that the efforts to meet requirements from both FNS and DHHS created a major obstacle in the APD process. The efforts, usually coordinated by the State, not the Federal agencies, resulted in confusion, contradiction, and increased costs due to project start delays and changes. It is strongly recommended that FNS take an active role in attempting to consolidate the process into a single step that would satisfy both agencies and eliminate undue delays for the States. Although this type of activity has previously failed, the coordination issue should not be ignored because the lack of coordination is a major obstacle to making the APD process an effective and cost-saving tool.

7) Post Implementation Review

The FNS post-implementation review requirement has been eliminated. FNS should reinstate and formalize the post-implementation review process, making it mandatory and providing a formal structure of tests, reviews, and expectations. This would enable the State to more accurately design a system to meet the FNS (Model Plan) requirements. It also would create an expectation that the system will be required to perform to meet design specifications and be measured against these criteria. The review also would provide a vehicle for FNS to close out the APD as complete.

8) APD Cost/Benefit Review

As part of the post-implementation review or as a separate step, FNS should require the State to formally review and document actual benefits, tangible and intangible, that were achieved with the implemented system. This review should include estimated costs and savings, actual costs and savings realized, explanations of variances experienced, and conclusions drawn from the results. This process would force the States to better determine and document their baseline situations and more effectively track savings achieved. It also would provide valuable data about savings potential for future projects undertaken by FNS and the States.



Report on the Evaluation of the Federal APD Approval Process
State Automation Systems Study

Enclosed is a copy of Report on the Evaluation of the Federal APD Approval Process produced under the State Automation Systems Study. The report reviews the effectiveness of the Advanced Planning Document process, identifying its strengths and weaknesses, and recommends improvements in the process.

This is an internal report available only to Food and Consumer Service staff. Inquiries concerning the content of this report or requests for additional copies may be addressed to Diana Perez, Office of Analysis and Evaluation, (703) 305-2133.

ENCLOSURE